

Joint Economic Management Committee Annual Meeting
August 15-16, 2005
Palikir, Pohnpei

Adopted Resolutions

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Issue-Amendments to rules for conducting JEMCO meetings.

Adopted Resolution:

JEMCO resolves to amend the resolution adopted August 11, 2004 regarding rules for conducting meetings of the JEMCO, as follows:

- 1) Amend Section 7 to read as follows:

Section 7. *Committee Records*

1. The Committee will keep a summary record of its proceedings that will be made available to all members. The members of the Committee shall have an opportunity to review the record for accuracy before it is finalized.
2. *The FSM and USG may publish the text of approved Committee resolutions. The Committee will consider issuing public statements or press releases regarding resolutions taken during its formal meetings. On a case-by-case basis the Committee will consider the release of other committee documents and recordings.*

Issue – FY2006 Proposed Sector Grant Allocations

JEMCO is unable at this time to determine the allocation of the Fiscal Year 2006 sector grants and agrees to reconvene in a timely fashion to determine the allocation, contingent upon the Office of Insular Affairs receiving adequate line item budgets from the FSM.

Issue - Budget Submission and the Grant Allocation Process

The Fiscal Procedures Agreement (FPA) allows the FSM formally to submit its consolidated budget and performance plan no later than 90 days prior to the beginning of the Fiscal Year. If the budget is not submitted until this last moment it allows insufficient time for adequate review, meaningful consultation, and subsequent adjustments prior to the JEMCO meeting.

Adopted Resolution

JEMCO resolves that:

- 1) Notwithstanding Article V, Section 1(b) of the FPA, the FSM shall submit a preliminary consolidated budget and performance plan to OIA not less than 120 days before the beginning of the Fiscal Year.
- 2) The requirement for formal budget consultations under Article V, Section 2(a) of the FPA would not be triggered until the formal submission by the FSM of the consolidated budget and performance plan no later than 90 days prior to the beginning of the Fiscal Year.

Issue -Building Capacity in Performance Reporting

For the third consecutive year, correlations between budgets, national strategic outcomes, and sector goals are unclear. Coherent synthesis, sector by sector, that links budget requirements to strategic national outcomes and goals has not been attempted. Inattention to the building of capacity in this critical area will result in protracted problems that delay budget analyses and grant awards, and heighten compliance risks.

Adopted Resolution

JEMCO resolves that:

- 1) The Office of Insular Affairs and the FSM Office of Compact Management (OCM) shall meet prior to October 31, 2005 to identify a level of funding that will enable the FSM Government to secure technical budgeting assistance in developing performance measurement and monitoring expertise within sector grant recipients at the national government and in all four states, and the FSM Office of Compact Management.
- 2) The level of funding identified by OIA and OCM shall be sourced from un-obligated “carry-over” in the FY04 Public Sector Capacity Building grant as appropriate and feasible, and FY05 un-obligated carry-over funding from all sectors.
- 3) If agreement is not reached regarding the level of funding required, the JEMCO shall reconvene no later than November 30, 2005 and reallocate funds from Fiscal Year 2006 grant funding for this purpose.

Issue – Planning for Annual Decrements

Under the Compact as amended, annual increases in contributions to the Trust Fund are accompanied by annual decreases in sector grant assistance. In addition, maintaining the agreed-minimum 30% allocation of annual Compact assistance toward the Public Sector Infrastructure sector limits the funds available to other sectors. The FSM National and State governments need to adjust their budgets to reflect this situation while ensuring that they fulfill their strategic goals.

Adopted Resolution

JEMCO resolves that the Office of Compact Management in consultation with the budget offices in the National and each of the State governments should develop budgets for Fiscal Years 2007 through 2009 that, at a minimum, ensure the health and education sectors fulfill their strategic outcomes, decrements notwithstanding.

Issue – Capacity Building to Support FSM’s Section 214 Report and Strategic Development Plan

The FSM lacks the capacity to respond effectively to two requirements of the Compact as amended: 1) Section 214 requires an annual report to the President of the United States on the use of United States sector grant assistance and other assistance and progress in meeting mutually agreed program and economic goals, and 2) Section 211 (c) requires the preparation and maintenance of an official overall strategic development plan that is continuously reviewed and updated through the annual budget process.

Adopted Resolution

JEMCO resolves that:

- 1) The Office of Insular Affairs and the FSM Office of Compact Management (OCM) shall meet prior to October 31, 2005 to identify a level of funding that will enable the FSM Government to establish a professional capacity building program to provide the technical statistical expertise needed to produce the Section 214 report, assist in the on-going adjustment to the SDP, and nurture the skills needed among Micronesian professional staff to provide this technical support. This program shall commence no later than October 31, 2005.
- 2) The level of funding identified by OIA and OCM shall be sourced from un-obligated “carry-over” in the FY04 Public Sector Capacity Building grant as appropriate and feasible, and FY05 un-obligated carry-over funding from all sectors.
- 3) If agreement is not reached regarding the level of funding required, the JEMCO shall reconvene no later than November 30, 2005 and reallocate funds from Fiscal Year 2006 grant funding for this purpose.

Education Issue 1- Supplemental Education Grant

Both the U.S. and FSM governments are in the final phases of doing the paperwork needed to implement the new Supplemental Education Grant (SEG).

Adopted Resolution

The JEMCO resolves that \$12,230,000 be allocated to the FY'05 FSM SEG grant, and further resolves that no SEG funds will be released until the FY'05 FSM SEG plan is approved by OIA.

* * *

Education Issue 2 –Textbooks and Instructional Materials

The FSM State Governments must provide sufficient funding to purchase textbooks and other instructional materials for every student and teacher in the core subjects of language arts, social studies, mathematics, and science, which are now lacking.

Adopted Resolution

The JEMCO resolves to apply the following special grant conditions to the education sector grant:

- 1) Within 90 days of the grant award, the FSM Department of Health, Education and Social Affairs, in consultation with the four state departments of education, the Office of Compact Management, and OIA, shall develop a national process and procedure for the procurement of textbooks for the primary and secondary education systems on a 5-year purchasing cycle. The U.S. Government is requested, to the extent possible, to provide assistance to the FSM to procure textbooks and related instructional materials as cost effectively as possible.
- 2) In Fiscal Years 2006 through 2008, no less than \$2.5 million of Compact education sector funding allocated to the State governments shall be used to purchase textbooks for the primary and secondary education systems and related instructional materials.
- 3) JEMCO shall revisit the need to continue this allocation at the end of fiscal year 2008.

Health Issue 1 – Primary Care System Evaluation

In August 2004, JEMCO applied a special condition to the FY 2005 Health Sector Grant to the FSM. It required a comprehensive nationwide evaluation of existing primary care systems and expansion plans by April 1, 2005. It further directed that the study give “specific emphasis on dispensaries, community health centers and rural health, and cover the following areas: (1) dispensary staffing; (2) communications; (3) referrals; (4) infrastructure; (5) transportation; (6) the procurement and distribution of medicines and other essential supplies; and (7) new and in-service training.” The National Department of Health, Education and Social Affairs (HESA) was named to direct and coordinate the effort.

The evaluation links back to FSM’s Strategic Development Plan (SDP). The SDP highlights a disproportionate level of care provided at hospital-based outpatient clinics and emergency rooms, and lists the improvement of primary care services as one of its most critical health goals. It is the only recorded undertaking that has sent teams to 109 out of 117 dispensaries throughout the nation in one fell swoop and, as such, provides a remarkable snapshot of primary care as it exists at a specific point in time.

JEMCO Action

JEMCO requests that OCM and OIA monitor FSM-wide budget formulation and execution activities and government priorities and policies linked to the country’s strategic outcome of improved primary health care.

Health Issue 2 – Baseline Data

Baselines and reportable annual data by which to measure nation-wide performance and compare state-specific progress toward FSM’s strategic health outcomes are either misleading or missing.

Adopted Resolution

JEMCO recognizes that HESA and OIA have worked collaboratively on developing performance measures and baselines and that this work continues. To assist in this process JEMCO resolves that the following special conditions shall apply to the Health Sector Grant for FY 2006:

- 1) The FSM shall select a common year and identify and collect baseline data for all appropriate outcome measures described in the health care chapter of the SDP. The FSM shall also define appropriate actual annual performance targets for FY 2006 and prospectively for FY 2007 and 2008. This information shall be submitted to the Office of Insular Affairs’ Honolulu Field Office no later than one hundred eighty (180) days after the date of the grant award. The FSM submission shall include 2004 data linked to these performance measures.

- 2) If the FSM fails to meet the deadline, OIA shall apply an appropriate remedy, including withholding a percentage of the monthly advance to the FSM National Department of Health, Education and Social Affairs on an escalating basis until the condition is met.

Public Infrastructure Issue

On May 26, 2005 the FSM National Government accepted a grant award in the amount of \$34,368,276 for the Public Infrastructure sector.

On July 6, 2005 the Office of Insular Affairs (OIA) received from the FSM National Government a “final consolidated infrastructure projects listing” for projects to be funded under the above-referenced grant.

The listing contains many projects that are eligible for funding based on the priorities as set forth in Public Law 108-188 (COFA Amendments Act) and the Fiscal Procedures Agreement (FPA). Not all of the projects submitted meet Compact eligibility priority requirements.

Before consideration of individual infrastructure project approval it is essential that the following processes are fully developed and implemented:

- 1) Scope Management and Planning - the process of progressively elaborating and documenting the project work (scope) that produces the product of the project.
- 2) Cost Management – resource planning, cost estimating, budgeting and control.

The FSM National Government has advised that the Project Management Unit (PMU) is now in place. The PMU will ensure that conditions precedent to commencement of implementation of individual projects are fully met before project implementation is authorized to begin.

Adopted Resolution

JEMCO resolves that:

- 1) Given the delays in the FSM’s hiring of a professional architectural and engineering firm to administer the Project Management Unit, the August 31, 2005 deadline shall be extended to January 31, 2006 for the completion of detailed planning studies necessary in determining the infrastructure requirements of the health and education sectors¹.
- 2) Projects funded through the Public Infrastructure sector will be centrally managed by a single project management unit administered by the FSM National Government and that sufficient resources shall be made available through the grant for the funding of such a unit.

¹ JEMCO Fiscal Year 2005 Public Infrastructure sector grant resolution/condition.

Land Issue

Issues surrounding the use of privately owned land for public sector delivery of services and construction of capital projects continues to be a significant impediment in promoting economic and social development in Chuuk State.

Guidelines for land purchase that provide mutually agreed clear and coherent conditions, controls and operational procedures for subsequent JEMCO review and consideration have not been proposed by the FSM.

Discussion Item

At the meeting the Committee will receive an update regarding public facilities on private land within the FSM, the issue's constraining effect on delivery of critical public services, and suggested remedies to such issues.

Issue – Strategic Development Plan

The FSM National Government transmitted the FSM Strategic Development Plan (SDP) to the U.S. Embassy on July 13, 2005. It addresses the health, education, environment, and private sector development sectors. However, it does not address Public Sector Capacity Building nor does it address the FSM Government's programs and strategies that relate to the important issues of fiscal policy, transparency, public sector governance, performance management, and public enterprise reform.

Adopted Resolution

The JEMCO resolves that the FSM shall submit the Public Sector Management chapter of the SDP to the Government of the U.S. no later than January 31, 2006.

Issue – Section 214 Annual Report to the President

Under Section 214 of the Compact as amended, the FSM Government is required to report annually to the President of the United States on the use of United States sector grant assistance and other assistance and progress in meeting mutually agreed program and economic goals.

The JEMCO is required to provide comment on this comprehensive report prepared by the Government of the Federated States of Micronesia before it is submitted to the President of the United States.

Adopted Resolution

JEMCO resolves that in order to conduct a meaningful and timely review of the Section 214 report:

- 1) The FSM Office of Compact Management and Office of Insular Affairs shall work together to address the timeframe and process through which the Section 214 report is to be provided to the JEMCO for comment prior to submittal to the President of the United States.
- 2) The FSM shall ensure that the Section 214 report contains the following information:
 1. A review of economic developments at the FSM and state levels
 - 1.1.1. Economic growth, sectoral developments and the structure of the economy and income distribution.
 - 1.1.2. Employment and wages
 - 1.1.3. Inflationary data
 - 1.1.4. Balance of payments and external debt
 - 1.1.5. Fiscal developments
 - 1.2. *Prospects*
 - 1.2.1. Short-run prospects
 - 1.2.2. Medium-term to long-term outlook
 - 1.3. *Policy Developments*
 - 1.3.1. Policy developments, including changes to the regulatory and legal environment.
 - 1.3.2. Challenges for the amended Compact
2. Financial Report
 - 2.1. *The FY0_ Budget Submission.*
 - 2.2. *FY0_ Financial Outcome.* Overall fiscal position; a picture of total revenues and expenditures.
 - 2.3. *Compact Sector Grant Usage*
 - 2.3.1. Funds received and distribution amongst the five governments
 - 2.3.2. Fund usage and expenditures
 - 2.4. *Federal Programs*
 - 2.4.1. List of federal programs and funds received by government and discussion of fund usage and benefits derived.

3. Sector Grant Usage and Performance

Performance report for each department/office/agency

- 3.1.1. *Strategic Goals*: progress in achievement of strategic goals. List of strategic goals and associated outcome performance measures if specified in FY0_ budget and their rational. Discussion of outcomes: table of benchmarks (FY03 levels), targets specified in FY0_ budget, and attainment by year end.
- 3.1.2. *Financial Performance*: table of budget allocations agreed by JEMCO and actual expenditures detailed by strategic goal, activities. Discussion of financial performance—problems with disbursement, under performance, capacity constraints, cost over runs, etc.
- 3.1.3. *Service Delivery*: table of budgeted outputs compared with outputs delivered broken down by strategic goal and activity. Discussion of success, problems encountered, lessons learned and future actions.

Issue – Single Audit Compliance

The Government of the FSM has not submitted Single Audits for Fiscal Years 2003 and 2004.²

The Government of the FSM has been consistently late in submitting financial and compliance audits within the meaning of the Single Audit Act.

Adopted Resolution

JEMCO resolves that the FSM shall submit its audit plan and schedule for Fiscal Years 2003, 2004, and 2005 to the Office of Insular Affairs no later than October 1, 2005.

² The FPA states that the results of the Single Audits shall be available not later than the beginning of the third fiscal quarter following the end of the Fiscal year under review. The Single Audit Amendments Act of 1996 state that audits shall be available within nine months after the completion of the funding year.

Issue – GAO Report

The GAO issued Report GAO-05-633 on July 11, 2005 entitled “Compacts of Free Association - Implementation of New Funding Accountability Requirements Is Well Under Way, but Planning Challenges Remain”.

The report makes recommendations for the U.S. agencies that participate in the JEMCO to work with the FSM government in taking action to resolve the issues raised in the report.

Status

The U.S agencies that participate in the JEMCO committee and the FSM provided formal responses to this report and are working toward addressing the report’s recommendations.

Issue – DOI Office of Inspector General Reports

The Office of the Inspector General (OIG) issued a draft report, Report No. I-EV-FSM-0001A-2005, in June 2005 regarding problems in Chuuk State with the high school cafeteria in Weno and the state-wide meals service program.

The Office of the Inspector General (OIG) issued a draft of a proposed report regarding problems in Chuuk State with the disposal of medical and solid waste and the treatment of wastewater that warrant immediate attention.

The Inspector General did not request JEMCO action.

Chuuk Education Issue 1

During the March 11, 2005, special JEMCO meeting, agreement was reached that all of Chuuk State's FY04 education sector carry-over must go toward immediate infrastructure needs (furniture and fixed equipment, boundary surveys, and legal documentation for Chuuk State School System land use). On June 10, the Governor of Chuuk State signed a Memorandum of Understanding delineating state and national responsibilities in procuring the needed furniture, fixed assets and surveys. President Urusemal signed the MOU on July 8. The relevant purchase orders will be issued to qualified vendors who can meet the delivery deadline of January 31, 2006.

JEMCO Action

JEMCO requests that OCM and OIA continue close monitoring to ensure all products and services are procured and delivered in a timely manner.

* * *

Chuuk Education Issue 2

In December 2004, concerns first surfaced about irregularities in the operation of the secondary schools' nutrition program of Chuuk State School System (CSSS). On February 28, 2005, a letter from Deputy Assistant Secretary David Cohen advised of the suspension of the compact education sector funding for the secondary schools' nutrition program in Chuuk effective March 1, 2005. The letter detailed five issues that must be addressed before funds can be reinstated. The issues include the following:

- 1) A review of all current fiscal year program expenditures for validity and compliance with procurement regulations;
- 2) Documentation of program's activities that identifies key personnel, the schools participating in the program, the amounts of food shipped to and received by each school and the numbers of students and meals served;
- 3) An analysis of food storage and distribution practices and internal controls;
- 4) An analysis of the program's payroll to ensure that all listed personnel are engaged in meal services; and
- 5) Preparation of an effective corrective action plan addressing identified shortcomings.

JEMCO Action

JEMCO requests that:

- 1) once the special grant condition is met OIA grant managers reinstate the nutrition program portion of the Compact education sector grant where appropriate; and
- 2) OCM and OIA continue close and frequent monitoring to ensure that the new procedural requirements are being followed.

* * *

Chuuk Education Issue 3

During a special government-to-government meeting on March 11, 2005, concern was expressed about various education deficiencies in Chuuk State. In response, the DOI/OIA imposed a mid-year grant condition that read as follows.

By May 15, 2005, a plan for immediate reform of Chuuk State School System must be submitted to the Office of Insular Affairs (OIA) Honolulu Field Office. Such a plan must be completed with input from staff of the Compact Implementation Task Force, the National Division of Education (NDOE), Chuuk State School System, and OIA. The plan must address immediate actions to:

- Ensure that education facilities are given priority in the FY 2006 IDP,
- Coordinate spring 2005 textbook purchases with the NDOE,
- Update the teacher development strategy,
- Address teacher, principal and education specialist time and attendance issues,
- Remove non-essential and non-education employees from the CSSS payroll,
- Eliminate opportunities for waste, fraud, and abuse, and
- Establish a role for NDOE in monitoring implementation of the plan.

A plan addressing each of the seven areas cited above was submitted to OIA on May 13.

JEMCO Action

JEMCO requests that OCM and OIA continue close and frequent monitoring to ensure full implementation of all seven elements of the plan.

Adopted Resolution

JEMCO resolves that the FSM shall report progress on Education Issues 1, 2, and 3 at the next meeting.

Chuuk Health Issue 1

On March 11, 2005, U.S. and FSM representatives met in Honolulu to discuss issues surrounding Chuuk's dispensary program. Following that discussion, OIA applied a special mid-term condition to the Health Sector Grant:

By April 15, 2005, the FSM National Government and Chuuk State, in consultation with the Office of Insular Affairs, shall develop an outline of a plan that shall promptly address the following deficiencies found in the Chuuk health dispensary program:

1. Inconsistent drug and medical supply restocking practices and poor inventory control;
2. Antiquated to non-existent basic medical equipment;
3. Weak supervisory controls for time and attendance, individual health assistant performance monitoring, fee collection, and the reporting of daily patient encounters;
4. Poor to no regulation or regular inspection of dispensaries operated in government facilities and especially in private homes; and
5. Continued payment of wages to health assistants who have, for all intents and purposes, abandoned their work.

The plan shall include specific actions and deadlines to address the above deficiencies as well as:

- Identify and officially close all non-functioning health dispensaries in the lagoon islands;
- Consolidate redundant or inefficient health dispensaries where geographically feasible in the lagoon islands;
- Eliminate the practice of political interference in the selection and retention of health assistants.

The completed plan shall be transmitted to the Office of Insular Affairs by May 15, 2005.

- On March 31, 2005, the Director of OIA sent a letter to President Urusemal to inform him of OIA's application of special grant conditions reflecting the mutual FSM and U.S. agreement reached in bilateral meetings on March 11, 2005. He made it clear that failure to meet the deadlines could result in withholding action and that JEMCO intended to review Chuuk's progress at its next regularly scheduled annual meeting. At that time withholding, suspending, or redirecting funds would be considered for the FSM National Government and Chuuk State if adequate steps were not taken to: (1) remove from payroll those dispensary employees who were not fulfilling their duties; (2) provide adequate medical supplies and drugs to functioning dispensaries; (3) eliminate all non-functioning dispensaries from the books; and (4) consolidate dispensaries where appropriate.

Response to the Special Mid-Year Condition

- Chuuk's Department mobilized a special task force (Task Force) shortly after the bilateral meeting in March 2005. By mid-April 2005, FSM National Government and Honolulu Field Office (OIA) representatives were actively working with the Task Force to develop and implement the required plan. Activities, the sequence and timing of events, and outcomes were discussed at length during telephonic and electronic meetings, in Pohnpei and Chuuk. The most recent progress review was held in Chuuk from July 13-15, 2005.

- The group reviewed data from the FSM's primary care survey and confirmed Chuuk's dispensary problems were widespread but less pronounced in the outer islands. Members were cautious about taking isolated actions that would provide immediate but short-lived relief. They determined that concomitant attention needed to be paid to:
 - Strengthening management controls
 - Improving supervision and the schedule of supervisory visits
 - Ensuring regular communication between dispensaries and the central office
 - Identifying viable transportation options
 - Resolving land issues
 - Finding alternate facilities for dispensaries located in private homes
 - Standardizing facilities, equipment, medical supplies, and drug inventories
- The outline of the plan was due on April 15, 2005. The plan itself was to be submitted to OIA on May 15, 2005. The FSM met both deadlines.
- The plan, presented in chart format, was short on detail but adequately linked its stated objectives³, major action steps, due dates, and assigned responsibilities for implementation and monitoring. Its thrust was to:
 1. Close or consolidate non-functional dispensaries;
 2. Consolidate dispensary services where geographically feasible;
 3. Improve coordination between dispensary services and preventive programs;
 4. Effect a structural integration of public health and dispensary services;
 5. Develop a standard drug formulary for the dispensaries;
 6. Develop a standard inventory of equipment and supplies;
 7. Establish a reliable communication system;
 8. Strengthen procurement;
 9. Improve data from the dispensaries;
 10. Improve the system of medical evacuations to Weno; and
 11. Improve dispensary personnel management.
- Appended to the plan were deliverables that included newly developed criteria for decision-making and other evidence of completed activities.
- By the time the plan was formally submitted to the Honolulu Field Office, actions already had been taken by Chuuk and by the FSM National Government to address personnel problems and to lay out policies for drug restocking, dispensary closure and consolidation, and other areas where improvement would be sought. Senior health officials briefed and received the endorsement of Governor Simina and the Chuuk State Legislature.

³ *Some of the objectives were, in reality, actions with the same aims. Some were worded awkwardly and therefore did not fully reflect the objectives' actual end intent.*

Progress

Appended to this update is a spreadsheet that lists all dispensaries “on the books” and current dispensary status, health assistants (including new trainees) and personnel actions taken by Chuuk’s Department of Health Services (Department).

- “Ghost Employees”

The Department tracked and issued warning letters to long absent workers and terminated those who refused to return to work. (Warning letters are on file in Honolulu.)⁴ The problem, as it existed when OIA applied its special mid-year condition, has been resolved. This area bears close monitoring until better supervisory controls are instituted.

- Vacant and Inactive Dispensaries

Vacant and inactive dispensaries were flagged and investigated. Chief among the reasons were: (1) no available replacements to fill posts after deaths or retirement, and (2) health assistants were (a) on extended sick leave and/or on medical referral; (b) taking vacation leave; and (c) absent without leave. See below for a summary of progress in replacing health assistants and in closing and consolidating non-functional dispensaries.

- Training and Replacement of Health Assistants

At the time the special mid-year condition was applied by OIA, the Department already was training new health assistants who would take the place of the employees who died or retired or planned to retire, terminated employment, or transferred to other jobs. As of July 2005, twenty four out of twenty six trainees completed the program and have been deployed to the islands, leaving two dispensaries still closed. Another health assistant has been referred out for medical problems. The Department is consequently studying three options: (1) assigning nursing staff to the dispensaries temporarily; (2) refreshing and deploying trainees who completed the program but are employed outside the dispensary program; and (3) consolidating dispensary service areas.

- Closure and Consolidation of Dispensaries

The Department elected to retain its inventory of dispensaries or dispensary property at 83 while it evaluates, in detail, formal closure and consolidation options. In April 2005, 77 dispensaries (lagoon and outer islands) were officially designated as “active” pending the completion of the health assistant training program. Four lagoon island dispensaries were designated as “temporarily closed and consolidated.”

⁴ The percentage of “ghost employees” (on payroll but not working regardless of reason) was approximately 9% of the total dispensary workforce. While significant, this was far less than presumed or assumed.

The Department is grappling with the issue in good faith. Its five-year time frame to close 41 dispensaries in private homes seems unnecessarily protracted; however, the task is monumental. Many communities within the lagoon are only served by dispensaries located in private homes and foot paths are the only “roads” that connect the municipalities. Time is needed to explore relocation options and the impact any permanent closures and consolidation would have on primary care, medical emergencies, and general public health and safety. Beyond that, time is needed to find alternate sites and the funding that may be needed for the construction or renovation of replacement facilities. The Department is now negotiating to move dispensaries in private homes to space in municipal offices or on church land. In July 2005, it reaffirmed its willingness to permanently close and consolidate dispensary services as may be warranted.

- Shortage of Drugs and Medical Supplies

Historically, the Department has had difficulty keeping drugs and medical supplies in stock because of a shortfall of money, weak inventory procedures, and procurement problems. The FY 2004 allotment under the Compact as amended, remedied the problem for the hospital but not the dispensaries.

To address this issue, the Department adopted a new formulary for the dispensaries. It also began evaluating different approaches to inventorying and restocking its outlying

clinics. In the meantime, drugs were sent out with evaluation teams that visited the islands. The Department will continue restocking on a scheduled basis (using public health team visits) rather than rely on pick ups by individual health assistants. The FSM National Department of Health, Education and Social Affairs (HESA) has purchased and shipped antibiotics specifically earmarked for Chuuk's outer islands (receiving and distribution report pending). Additionally, Chuuk has agreed it will only send new or replacement medical equipment, when purchased, to those dispensaries that are government owned.

- Supervisory and Management Controls

The Department has acknowledged that weak supervision and irregular communication with health assistants are major contributing factor to failures in identifying "ghost employees," tracking those health assistants who leave dispensary facilities unattended during working hours, and ensuring facilities have adequate drugs on hand. HESA has earmarked funds to purchase some radios for government owned dispensary facilities through its US Federal (DHHS) bioterrorism grant. The Department has also proposed the purchase of a limited number of radios, again, for government facilities only.

Regular hours of work have been established. The Department intends to have supervisors from the central office accompany public health teams that visit the outlying areas of Chuuk. An option that will be implemented in FY 2006 is to divide the dispensaries into regions and, for each region, to designate a field supervisor. Under consideration is to use senior health assistants (with good records of reliability and performance) to visit the facilities in his/her area on a regular basis.

- Dispensary Renovation

The Department instituted a rating system for renovations using funds obligated under the Public Infrastructure Sector Grant. This system gives first priority to dispensaries that are government owned and on government land. Second priority goes to dispensaries that are government owned on leased land provided there is no dispute. Dispensaries in private homes get last consideration and only if certain criteria are met. These measures virtually eliminate these facilities from ever receiving public infrastructure grant funding through the Compact.⁵

- Realigned Compact Funding

The Department has agreed to use a portion of its FY 2004 carry over funds to procure office and medical equipment for qualifying dispensaries. It also has secured the concurrence of the Honolulu Field Office to transfer funds between budgeted line items (that would otherwise be un-obligated at closeout) to purchase more drugs and

⁵ Any renovation or new construction by FSM Congress is beyond the control of Chuuk's administration.

to address communication and transportation problems.⁶ The FY 2006 budget proposes to implement tighter supervisory controls and increases the allocation for drugs, supplies, and inter-island travel. Renovation projects for qualifying dispensaries only are listed.

JEMCO Action

JEMCO requests that OCM and OIA closely monitor Chuuk's progress in addressing dispensary issues during FY 2006, and participate in Dispensary Task Force planning and evaluation meetings at least once a quarter.

⁶ *These transfers are well within the 15% threshold allowed by the FPA and do not affect other programs.*

Issue- Oversight of Compact Grant Funds in Chuuk State

Accountability and increased monitoring efforts are required within Chuuk State to provide a higher level oversight on the use of Compact grant funds.

Adopted Resolution:

JEMCO approves the placement of a special condition on all sector grants specifying that sector grant funding for Chuuk State shall not be disbursed until the Office of Insular Affairs in collaboration with the OCM, is assured that adequate and efficiently functioning financial management controls are in place in the Chuuk State government. The standards for judging the adequacy of financial management controls are those established in the Fiscal Procedures Agreement.